APPENDIX.

Statutes Involved.

Revenue Act of 1932 (47 Stat. 169, Ch. 209).

Section 114(a). Basis for Depreciation:

> The basis upon which exhaustion, wear and tear, and obsolescence are to be allowed in respect of any property shall be the adjusted basis provided in section 113(b) for the purpose of determining the gain or loss upon the sale or other disposition of such property.

Section 113(b). Adjusted Basis:

> The adjusted basis for determining the gain or loss from the sale or other disposition of property, whenever acquired, shall be the basis determined under subsection (a), adjusted as hereinafter provided. * * *

Section 113(a). Basis (Unadjusted of Property.—The basis of property shall be the cost of such property; except that—

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> (8) Property acquired by Issuance of Stock or as Paid-in-Surplus.—If the property was acquired after December 31, 1920, by a corporation—
> (A) by the issuance of its stock or securities in connection with a transaction described in section 112(b)(5) (including, also, cases where part of the consideration for the transfer of such property to the corporation was property or money, in addition to securities), or
>
> (B) as paid-in surplus or as a contribution to capital, then the basis shall be the same as it would be in the hands of the transferor, increased in the amount of gain or decreased in the amount of loss recognized to the transferor upon such transfer under the law applicable to the year in which the transfer was made.

Section 112(b)(5).—Transfer to a controlled corporation by Transferor.

No gain or loss shall be recognized if property is transferred to a corporation by one or more persons solely in exchange for stock or securities in such corporation, and immediately after the exchange such person or persons are in control of the corporation; but in the case of an exchange by two or more persons this paragraph shall apply only if the amount of the stock and securities received by each is substantially in proportion to his interest in the property prior to the exchange.

Section 112(j). Definition of Control.—

As used in this section the term "control" means the ownership of at least 80 per centum of the voting stock and at least 80 per centum of the total number of shares of all other classes of stock of the corporation.